

Absorption Capacity” (“SAC”). Relying on conservative assumptions and subject to numerous caveats described in the CRA Analysis,²¹⁵ the SAC was derived by calculating the maximum number of subscriber share points that can be supported with one share point of spectrum in a given geographic area. This maximum is assumed to be that of the major wireless carrier with the largest subscriber share relative to its spectrum share.²¹⁶ That “maximum” subscriber capacity was then applied to every firm in the market to estimate the number of subscriber share points that competitors of Sprint Nextel could support in the event of a hypothetical price increase.

The CRA SAC analysis demonstrates that, with one exception, for all of the Telephia markets identified in either the *Cingular Order* screens or the screens modified for this transaction,²¹⁷ other carriers have more than sufficient excess capacity to absorb 10% of Sprint Nextel’s subscribers.²¹⁸ Save that single market, Minneapolis, rival carriers can absorb multiples

²¹⁵ See *id.* ¶¶ 115-157. The SAC does not account for possible differences in maximum spectrum utilization of different carriers, or that geographic areas may differ with respect to the assumed number of subscribers that can be served with a given amount of spectrum.

²¹⁶ This “full capacity” carrier is implicitly assumed to be unable to absorb any additional subscribers beyond normal growth at stable prices. Any additional subscriber capacity for this carrier would increase the capacity absorption ability of the rivals in that geographic area.

²¹⁷ See CRA Analysis ¶ 123, n.62 (“We also evaluated the SAC for the 16 markets that were identified by the FCC screen but not the 10% adjusted screen. *Each* of the 16 markets has enough SAC to absorb 10% of the share of Sprint Nextel.”) (emphasis in original).

²¹⁸ See *id.* ¶ 119, and Table 11.

of 10% of Sprint Nextel's combined subscriber share.²¹⁹ This analysis alone powerfully demonstrates that Sprint Nextel will lack market power after consummation of the merger.²²⁰

Moreover, a more detailed examination of the Minneapolis Telephia market indicates that there is no cause for concern as to adequate capacity for competitor expansion. First, the SAC test is quite conservative, as it assumes that the "full capacity" carrier cannot absorb any additional subscribers.²²¹ This is very unlikely, given current national subscriber growth rates.²²² Second, Sprint Nextel's competitors in Minneapolis, which include Verizon Wireless, Cingular, and T-Mobile, would need to expand by only four percent each to absorb ten percent of Sprint Nextel's subscriber share.²²³ Given the presence of these carriers and their relative market shares (see CRA Analysis Table 2), sufficient capacity would seem to be a foregone conclusion. Finally, spectrum capacity in the market is very likely to grow as a result of Auction 58, in which 40 MHz of additional spectrum is available.²²⁴

The conclusion that the combined Sprint Nextel will lack market power to sustain a price increase above competitive levels after the merger is made more apparent by the fact that Sprint and Nextel are not each other's closest substitutes. First, the two companies each has a different

²¹⁹ See *id.* ¶¶ 119-121.

²²⁰ The Telephia data also ascribe the subscribers of Sprint's MVNO customers to Sprint. However, this understates the competitive impact of MVNO's reselling Sprint's service as these offerings do constrain retail prices. See *id.* ¶¶ 52-53, 118. Moreover, even if a market fails to satisfy the SAC test, this does not necessarily mean that a hypothetical price increase would actually be profitable. See *id.* ¶ 119.

²²¹ See *id.* ¶ 116.

²²² See *id.* ¶ 122.

²²³ See *id.*

²²⁴ See *id.* ¶ 123.

customer focus; Nextel's focus has been on business customers, while Sprint's wireless focus has traditionally been on consumers.²²⁵ Second, an analysis of WLNP data, as well as an analysis of Nextel's and Sprint's exit surveys, indicates that customers of Sprint generally do not see Nextel as the next closest substitute, and vice-versa.²²⁶ While the WLNP switching data and exit survey data may be subject to qualification (detailed in the CRA Analysis at ¶¶ 90-94 and 101), there is a strong indication that customers do not regard Sprint and Nextel as each other's closest substitutes. This fact supports a finding that the merger will not increase the combined company's ability to raise prices, as the combined company's subscribers are very likely to have their next-preferred carrier still available as an option.

Finally, as described in the CRA Analysis, "[u]nilateral incentives to raise price are reduced if the merger generates significant variable cost reductions."²²⁷ The reduction in variable costs creates an incentive to reduce price and increase output. As described in Section II(C) above, the proposed transaction will result in numerous cost reductions, including cost reductions in variable costs such as handsets, interconnection and backhaul, that will create downward price pressure.²²⁸ This downward price pressure would act contrary to any hypothetical incentive to increase price created by the merger.

Thus, the fact that competitors in each Telephia market will be able to relatively easily respond to any hypothetical post-merger price increase and absorb former Sprint Nextel

²²⁵ See *id.* ¶ 88.

²²⁶ See *id.* ¶ 89. Please refer to the confidential version of the CRA Analysis at ¶¶ 89-106 for a discussion of the results of CRA's analysis of switching data and exit surveys.

²²⁷ See CRA Analysis ¶ 124.

²²⁸ See *id.*

customers who leave as a result of the hypothetical increase, plus the fact that customers are quite likely to have their next-preferred carrier still available as an option after the merger, and the fact that cost reductions will put downward pressure on prices, all suggest that the risk of anticompetitive unilateral effects as a result of the proposed transaction is quite minimal, or even nonexistent, in all the markets analyzed in the CRA Analysis.

5. The Proposed Transaction Poses No Significant Risk Of Anticompetitive Coordinated Effects.

The CRA Analysis also follows the *Cingular Order* in its analysis of coordinated effects, including an examination of the number of firms, the transparency of information, firm, and product homogeneity, differing positions in technology, the presence of mavericks, existing cooperative ventures, and carriers' excess capacity. In addition, the CRA Analysis discussed the importance of efficiencies and network effects in such an analysis, ultimately concluding that "based on the Commission's methodology and our SAC analysis to date, there are unlikely to be coordinated effects problems resulting from this merger."²²⁹

At the outset, it is important to note that the Commission made several factual findings in the *Cingular Order* relevant to this analysis. First, the FCC concluded that there was no evidence that wireless rivals had restricted competition through coordinated interaction in specific markets.²³⁰ Perhaps even more important, the Commission was persuaded that "certain characteristics of the mobile telephony market, including firm heterogeneity and the presence of carriers with excess spectrum or network capacity, may continue to make it difficult for firms first to reach terms of coordination and then effectively to detect and punish deviations in

²²⁹ CRA Analysis ¶ 151.

²³⁰ See *Cingular Order* ¶ 164.

specific markets.”²³¹ There is still no evidence of coordinated action to restrict competition in mobile telephony, and rival heterogeneity and excess capacity continue to prevent coordinated interaction, in addition to other factors.

Number of Firms. As noted by CRA, the reduction in the number of firms providing mobile telephony services in a national or local markets by one is not by itself a sufficient basis for concluding that coordinated interaction is likely, particularly where there is no history of coordinated interaction.²³² This is particularly true considering the fact that numerous other carriers remain post-merger, both nationally and regionally/locally.²³³

Pricing Transparency. While consumer prices may be monitored to some extent by wireless competitors, this is constrained by the fact that some consumers purchase through their employers, which cannot be monitored.²³⁴ Moreover, the FCC found in the *Cingular Order* that “the record shows that carriers try to use the information they obtain about their rivals to improve their own ability to compete in attracting and retaining customers, either by matching the offers of rivals or by making more aggressive offers.”²³⁵ Finally, the number and complexity of pricing

²³¹ *Id.*

²³² *See* CRA Analysis ¶ 131.

²³³ *See id.* Table 1.

²³⁴ *See id.* ¶ 133.

²³⁵ *Cingular Order* ¶ 154. *See also id.* ¶ 155 (“Moreover, we believe that national wireless pricing innovations have been a major driver of price rivalry in the U.S. mobile telephony market, rather than a vehicle for coordinated interaction due to increased pricing transparency.”).

plans available in any given local market render it difficult to coordinate and extremely difficult to detect “cheating.”²³⁶

Firm Heterogeneity. This transaction does not materially disturb the firm heterogeneity found in the *Cingular Order*.²³⁷ Following the merger, wireless firms will still be quite asymmetrical and products will remain differentiated. There will be great differences between predominantly ILEC-independent Sprint Nextel and T-Mobile on the one hand, and predominantly ILEC-owned Verizon Wireless and Cingular on the other. This heterogeneity will continue to discourage coordinated interaction following the merger.²³⁸

Technology Development and Competition. The dynamic nature of competition and technological development in mobile telephony substantially inhibits coordination. Consumer demand for different “flavors” of 2.5G and 3G technology differs and remains uncertain. Wireless firms are generally in quite different positions in their technology migration, which inhibits service and functionality coordination. Moreover, the “lumpy” nature of investment limits tacit coordination.²³⁹

Network Effects. The wireless industry is subject to network effects due to lower costs for on-net calls and the benefits to customers of push-to-talk calls, which the combination of

²³⁶ See CRA Analysis ¶ 133, noting that Nextel has at least 25 plans available to consumers. Sprint has at least 15 pricing plans available to consumers (with a variety of additional offers that include extra features and minutes).

²³⁷ See *Cingular Order* ¶ 164.

²³⁸ See CRA Analysis ¶ 134.

²³⁹ See *id.* ¶ 135.

Sprint and Nextel will increase. As noted in the CRA Analysis, “[t]he desire to create network effects increases the benefits of deviating from a coordinated outcome.”²⁴⁰

Mavericks. In the *Cingular Order* the FCC found that “no single nationwide carrier is uniquely positioned to be a maverick,”²⁴¹ and that regional carriers would remain potential mavericks.²⁴² Nothing about the instant transaction changes that analysis.

Efficiencies. As noted herein repeatedly, the substantial efficiencies created by the merger give the combined company incentive to reduce prices, which would destabilize any coordinated outcome.²⁴³

Spectrum Capacity. Excess capacity creates incentives for competitors to “cheat” on any agreed coordinated outcome, and would allow firms not participating to expand and absorb customers from the coordinating firms. In the *Cingular Order*, the availability of excess capacity was a key part of the FCC’s analytic approach.²⁴⁴ Indeed, as the Commission noted in the *Cingular Order*, “a rival carrier may have a strong incentive to deviate from the terms of coordination if it has excess spectrum capacity and (or) network capacity relative to the traffic generated by its existing customer base.”²⁴⁵

The CRA Analysis presents an area-by-area analysis of spectrum capacity in the Telephia markets by examining whether a ten percent output (subscriber) reduction by the two largest

²⁴⁰ See *id.* ¶ 136.

²⁴¹ *Cingular Order* ¶ 162.

²⁴² See CRA Analysis ¶ 124.

²⁴³ See *id.* ¶ 139.

²⁴⁴ See, e.g., *Cingular Order* ¶ 184.

²⁴⁵ *Id.* ¶ 187.

firms could be absorbed by the remaining participants. Sprint Nextel would be one of the two largest firms in 61 of the 79 Telephia markets identified by the HHI screens modified for this merger.²⁴⁶ Using the SAC methodology,²⁴⁷ the CRA Analysis demonstrates that in these 61 Telephia markets, rivals are only unable to absorb the subscribers departing the coordinating firms in six markets.²⁴⁸ Nonetheless, even in these six markets, the risk of adverse coordinated effects is slight.

First, additional spectrum is available in Auction 58 in three of these markets, Kansas City, Minneapolis, and Houston.²⁴⁹ This additional spectrum will add to the capacity of smaller rivals; in Minneapolis, if 11 MHz of the 40 MHz available at auction is obtained by rivals, the estimated SAC would be sufficient to absorb the required subscriber share. Similarly, in Kansas City, if rivals obtain 3 MHz of the 30 MHz available, then the estimated SAC would be sufficient to absorb 10% of the (hypothetically) coordinating firms' subscriber share. In Houston, if rivals obtain 10 MHz of the 20 MHz available, the estimated SAC would be sufficient to absorb the required subscriber share.

²⁴⁶ See CRA Analysis ¶ 142 and Table 12.

²⁴⁷ Because Sprint and Nextel provided CRA spectrum shares only for the leading carriers for the top 106 markets, the CRA Analysis proceeded from the assumption that the non-Sprint Nextel member of the two leading firm group has a spectrum share proportional to its subscriber share. See *id.* nn.36 & 78.

²⁴⁸ See *id.* ¶ 141, Table 12. The markets are Minneapolis, MN, Houston, TX, Hammond, LA, Wilson, TX, Kansas City, MO-KS, and Chicago, IL.

²⁴⁹ In the *Cingular Order*, the FCC found that “[s]pectrum aggregation by the Applicants in markets where additional spectrum licenses will be auctioned in January 2005 is less potentially harmful than aggregation in other markets. The entry this auction will enable is largely within the Commission’s control, and thus we can relatively confident it will occur.” *Cingular Order* ¶ 190, n.472.

Second, in Kansas City, Minneapolis, Houston, and Chicago, the combined shares of the two leading firms are low enough that coordination would be difficult to maintain.²⁵⁰ Perhaps just as important, in three of the six markets (Kansas City, Minneapolis, and Houston) there will be four mobile telephony providers after the merger with a substantial market presence, and in Chicago, there will be five. Each of these competitors would have incentive to constrain coordination by the two leading firms.²⁵¹

Finally, Wilson, TX and Hammond, LA, are two markets for which the Telephia data did not provide spectrum share information; the gap-filling assumption that the full capacity SAC ratio for these markets is the average of the maximum ratio in the 106 markets for which CRA had spectrum data may skew the analysis. This and other necessary assumptions appear to have distorted the analysis.²⁵² Once these distortions are corrected, both Wilson, TX and Hammond, LA, pass the SAC test.²⁵³ Similarly, in Minneapolis and Houston, the estimated SAC of the smaller rivals is negative, which likely either indicates the full capacity SAC is implausibly low, or that CRA lacked data on the spectrum holding of some of the rival carriers in those markets.²⁵⁴

In sum, all of the factors informing a coordinated effects analysis point toward a quite minimal risk that coordinated action will be more likely after the merger.²⁵⁵ Indeed, many of the

²⁵⁰ See CRA Analysis ¶¶ 145-149.

²⁵¹ See *id.* ¶¶ 145-149.

²⁵² See CRA Analysis ¶ 150, n.81.

²⁵³ See *id.* ¶ 151.

²⁵⁴ See *id.* ¶¶ 145, 149.

²⁵⁵ Note that of the 16 Telephia markets identified in the *Cingular Order* screens, but not in the screens modified for this transaction, only five have Sprint Nextel as one of the two

factors point strongly, perhaps even decisively, in the other direction. Fears of coordinated interaction resulting from this merger would be entirely misplaced.

C. International Authorization.

The instant transaction also involves the transfer of control of Nextel's international Section 214 authorization, which permits Nextel to provide global facilities-based and resold international services. Sprint is widely recognized as one of the leading providers of international services, and meets all of the qualifications to hold international 214 authority.²⁵⁶ Grant of the instant application will ensure that Sprint is able to continue to offer seamless international services to existing Nextel customers.

The proposed transaction poses no risk of anticompetitive impact on the U.S. international telecommunications marketplace. Nextel holds only a very small share of the international telecommunications market. The Commission's principal concern for "the exercise of foreign market power in the U.S. market" is that such market power "could harm U.S. consumers through increases in prices, decreases in quality, or reductions in alternatives in end user markets."²⁵⁷ Generally, this risk occurs when "a U.S. international carrier . . . is affiliated

leading firms. In only two of those five markets, Tampa and San Antonio, would the SAC test indicate that sufficient capacity could be lacking to respond to a coordinated price increase. In Tampa, the combined share is so low that an agreement on coordinated action would be difficult to maintain, and the SAC calculation is negative for the rivals, which would indicate that the SAC maximum ratio is unrealistically low. In San Antonio, the SAC maximum ratio is 1.06, an unrealistically low ratio; moreover, 30 MHz of spectrum is available in San Antonio in Auction No. 58. *See id.* ¶ 151, n.82.

²⁵⁶ *See* 47 C.F.R. § 63.12.

²⁵⁷ *Rules and Policies on Foreign Participation in the U.S. Telecommunications Market; Market Entry and Regulation of Foreign-Affiliated Entities, Report and Order and Order on Reconsideration*, 12 FCC Rcd 23891 ¶ 146 (1997).

with a foreign carrier that has sufficient market power on the foreign end of a route to affect competition adversely in the U.S. market.”²⁵⁸ As a result of this proposed transaction, Sprint will acquire no new affiliations with foreign carriers presumed to have market power. Moreover, of the current foreign affiliations of Sprint, none of those carriers is dominant, and Sprint is not regulated as dominant on any foreign route. Accordingly, the transaction will have no adverse impact on competition in the international telecommunications marketplace.

IV. REQUEST FOR PROCEDURAL CONSIDERATIONS.

A. Request For Approval Of Additional Authorizations.

As set forth in the transfer of control applications, Nextel controls entities holding numerous Commission licenses. The lists of call signs referenced in the applications are intended to be complete and to include all licenses held by the respective licensees that are subject to the transaction. Nextel, however, may have on file or may hereafter file additional requests for authorizations for new or modified facilities, which may be granted or remain pending during the pendency of this application. Accordingly, the Applicants request that the FCC authorize Sprint to acquire control of the following upon the grant of the transfer of control applications:

1. any authorization issued to Nextel’s subsidiaries during the Commission’s consideration of the transfer of control applications and the period required for consummation of the transaction following approval;
2. construction permits held by such licensees that mature into licenses after closing and that may not have been included in the transfer of control applications; and
3. applications that are filed after the date of these applications and are pending at the time of consummation.

²⁵⁸ *Id.* ¶ 231.

Such actions would be consistent with Commission precedent.²⁵⁹ To the extent necessary, the Applicants also request authority to transfer domestic 214 authority of Nextel's subsidiaries. Moreover, the parties request that Commission approval of the transfer applications include any facilities that may have been inadvertently omitted.

In addition, Sprint and Nextel hereby request a blanket exemption from Sections 1.927(h) and 1.933(b) of the FCC's rules, 47 C.F.R. §§ 1.927(h), 1.933(b). Specifically, the Applicants request that amendments reporting a change in ownership not be treated as major amendments that require a second public notice for still-pending applications. Grant of the exemption is consistent with FCC precedent finding that the ownership changes with respect to the pending applications are part of a larger transaction undertaken for legitimate business purposes.²⁶⁰

B. Unconstructed Facilities.

Nearly all of the FCC authorizations covered by the transfer of control applications involve constructed facilities. However, certain geographic-area licensed facilities in the Enhanced Specialized Mobile Radio service ("ESMR"), the Wireless Communications Service ("WCS"), the 700 MHz Guard Band, and the Broadband Radio Service ("BRS"), are authorized

²⁵⁹ See *Cingular Order* ¶ 275; *Application of WorldCom, Inc., and MCI Communications Corp. for Transfer of Control of MCI Communications Corp. to WorldCom, Inc., Memorandum Opinion and Order*, 13 FCC Rcd 18025 ¶ 226 (1998); *Applications of NYNEX Corp., Transferor, and Bell Atlantic Corp., Transferee, for Consent to Transfer Control of NYNEX Corp. and Its Subsidiaries, Memorandum Opinion and Order*, 12 FCC Rcd 19985 ¶ 247 (1997); *Applications of Craig O. McCaw and AT&T for Consent to Transfer of Control of McCaw Cellular Communications, Inc. and Its Subsidiaries, Memorandum Opinion & Order*, 9 FCC Rcd 5836, n.300 (1994) ("McCaw/AT&T Order").

²⁶⁰ See, e.g., *Applications of PacifiCorp Holdings, Inc., Transferor, and Century Telephone Enterprises, Inc., Transferee, For Consent to Transfer Control of Pacific Telecom, Inc., a Subsidiary of PacifiCorp Holdings, Inc., Memorandum Opinion and Order*, 13 FCC Rcd 8891 ¶ 47 (1997); *McCaw/AT&T Order*, n.300.

but not yet required to be constructed. The transfer of control of these unbuilt facilities is incidental to this transaction, with no separate payment being made for any individual authorization or facility. Accordingly, there is no reason to review the transaction from a trafficking perspective.²⁶¹

²⁶¹ See 47 C.F.R. § 1.948(i) (authorizing the Commission to request additional information if the transaction appears to involve unconstructed authorizations obtained for the “principal purpose of speculation”); *id.* § 101.55(c)-(d) (permitting transfers of unconstructed microwave facilities provided that they are “incidental to the sale [of] other facilities or merger of interests”); *id.* § 90.685(b) (providing three and five year benchmarks for construction of ESMR geographic area licenses; *id.* § 27.14(a) (providing for a substantial service showing within the license term of 700 MHz Guard Band and WCS licenses). Further, construction requirements for certain BRS licenses were suspended by the Commission in *Amendment of Parts 1, 21, 73, 74 and 101 of the Commission’s Rules to Facilitate the Provision of Fixed and Mobile Broadband Access, Educational and Other Advanced Services in the 2150-2162 and 2500-2690 MHz Bands, Notice of Proposed Rulemaking and Memorandum Opinion and Order*, 18 FCC Rcd 6722 ¶¶ 199-202 (2003).

V. CONCLUSION

For the foregoing reasons, and for the reasons set forth in the individual applications filed herewith, the proposed transaction complies with all applicable Commission rules, and will serve the public interest. The merger will create a strengthened competitor to well serve consumers of wireless communications services. Sprint and Nextel accordingly urge the Commission to act promptly to grant these applications.

Respectfully submitted,

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February 8, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) December 17, 2004 (December
15, 2004)

SPRINT CORPORATION

(Exact name of Registrant as specified in its charter)

Kansas
(State of
Incorporation)

1-04721
(Commission
File Number)

48-0457967
(I.R.S.
Employer
Identification
No.)

6200 Sprint Parkway, Overland
Park, Kansas
(Address of principal
executive offices)

66251
(Zip
Code)

Registrant's telephone number, including area code (913) 624-3000

(Former name or former address, if changed since last report)

P. O. Box 7997, Shawnee Mission, Kansas 66207-0997

(Mailing address of principal executive offices)

Check the appropriate box below if the Form 8-K is intended to simultaneously
satisfy the filing obligation of the registrant under any of the following
provisions:

☒ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

Merger Agreement.

On December 15, 2004, Sprint Corporation and Nextel Communications, Inc. entered into a definitive merger agreement, pursuant to which Nextel will, subject to satisfaction or waiver of the conditions set forth in the merger agreement, merge into a wholly owned subsidiary of Sprint. Upon consummation of the merger, Sprint's name will be changed to Sprint Nextel Corporation.

Under the terms of the merger agreement, existing Sprint shares will remain outstanding and each Nextel common share will be converted into Sprint Nextel common shares and a small per share amount in cash, with a total value equal to

1.3 Sprint Nextel common shares. Nextel voting common shares will convert into Sprint Nextel voting common shares, and Nextel non-voting common shares will convert into Sprint Nextel non-voting common shares. The exact stock/cash allocation will be determined at closing of the merger in order to facilitate the spin-off of Sprint's local telecommunications business on a tax-free basis. The aggregate amount of the cash payment will not exceed \$2.8 billion. The Sprint Series 1 FON Common Stock and Series 2 FON Common Stock will be redesignated as Series 1 Common Stock and Series 2 Common Stock, respectively, and the par value will be decreased to \$.01 per share for each series. Each outstanding option to purchase Nextel common shares will be converted into an option to purchase a number of Sprint Nextel common shares equal to the number of Nextel common shares for which such option may be exercised multiplied by

1.3, at an exercise price equal to the original exercise price divided by 1.3.

The Sprint Nextel Board of Directors will consist of 12 directors, six from each company, including two co-lead independent directors, one from Sprint and one from Nextel. Sprint Nextel will have its executive headquarters in Reston, Virginia, and its operational headquarters in Overland Park, Kansas. Gary D. Forsee, Chairman and Chief Executive Officer of Sprint, will become President and Chief Executive Officer of Sprint Nextel. Timothy M. Donahue, Nextel's President and Chief Executive Officer, will become Chairman.

The merger is expected to close in the second half of 2005 and is subject to shareholder and regulatory approvals, as well as other customary closing conditions. The merger agreement contains certain termination rights for each of Nextel and Sprint and further provides that, upon termination of the merger agreement under specified circumstances involving an alternative transaction, each party may be required to pay the other a termination fee of \$1 billion.

Following the closing of the merger, Sprint Nextel intends to spin off Sprint's local telecommunications business to the Sprint Nextel shareholders in a transaction that is expected to be tax free.

The foregoing description of the merger agreement does not purport to be complete and is qualified in its entirety by reference to the merger agreement, which is filed as Exhibit 2 and incorporated herein by reference.

Amendment to Employment Agreement.

On December 15, 2004, Sprint, a wholly owned subsidiary of Sprint and Mr. Forsee entered into an amendment to Mr. Forsee's employment agreement, dated as of March 19, 2003 and previously filed as Exhibit 10(c) to Sprint's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003. The amendment provides that, following the merger, Mr. Forsee will serve as the Chief Executive Officer and President of Sprint-Nextel, confirms that the merger will not constitute a change in control under his employment agreement and clarifies that not being Chairman of the Board and that the performance of his services at Sprint Nextel's executive headquarters in Reston, Virginia will not be a Constructive Discharge under his employment agreement. The amendment will be effective upon the closing of the merger.

The foregoing description of the amendment does not purport to be complete and is qualified in its entirety by reference to the amendment, which is filed as Exhibit 10 and incorporated herein by reference.

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Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

A number of the matters discussed in this document that are not historical or current facts deal with potential future circumstances and developments, in particular, information regarding the new company, including expected synergies resulting from the combination of Sprint and Nextel, combined operating and financial data, future technology plans, and whether and when the transactions contemplated by the merger agreement will be consummated. The discussion of such matters is qualified by the inherent risks and uncertainties surrounding future expectations generally, and also may materially differ from actual future experience involving any one or more of such matters. Such risks and uncertainties include: the failure to realize capital and operating expense synergies; the result of the review of the proposed merger by various regulatory agencies, and any conditions imposed on the new company in connection with consummation of the merger; approval of the merger by the stockholders of Sprint and Nextel and satisfaction of various other conditions to the closing of the merger contemplated by the merger agreement; and the risks that are described from time to time in Sprint's reports filed with the SEC, including its annual report on Form 10-K/A for the year ended December 31, 2003 and quarterly report on Form 10-Q for the quarterly period ended September 30, 2004. This document speaks only as of its date, and Sprint disclaims any duty to update the information herein.

Additional Information and Where to Find It

In connection with the proposed transaction, a registration statement on Form S-4 will be filed with the SEC. SHAREHOLDERS OF SPRINT AND SHAREHOLDERS OF NEXTEL ARE ENCOURAGED TO READ THE REGISTRATION STATEMENT AND ANY OTHER RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING THE JOINT PROXY STATEMENT/ PROSPECTUS THAT WILL BE PART OF THE REGISTRATION STATEMENT, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE COMBINATION. The final joint proxy statement/ prospectus will be mailed to shareholders of Sprint and shareholders of Nextel. Investors and security holders will be able to obtain the documents free of charge at the SEC's web site, www.sec.gov, from Sprint Investor Relations at Sprint Corporation Investor Relations, 6200 Sprint Parkway, Overland Park, Kansas 66251, or call 800-259-3755, Option 1, or from Nextel Investor Relations at 2001 Edmund Halley Drive, Reston, Virginia 20191 or call 703-433-4300.

Participants in Solicitation

Sprint, Nextel and their respective directors and executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies in respect of the merger. Information concerning Sprint's participants is set forth in the proxy statement, dated March 16, 2004, for Sprint's 2004 annual meeting of shareholders as filed with the SEC on Schedule 14A. Information concerning Nextel's participants is set forth in the proxy statement, dated April 2, 2004, for Nextel's 2004 annual meeting of shareholders as filed with the SEC on Schedule 14A. Additional information regarding the interests of participants of Sprint and Nextel in the solicitation of proxies in respect of the merger will be included in the registration statement and joint proxy statement/prospectus to be filed with the SEC.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

Number	Exhibit
-----	-----
2	Agreement and Plan of Merger, dated as of December 15, 2004, by and among Sprint Corporation, Nextel Communications, Inc. and S-N Merger Corp.
10	Amendment No. 1 dated as of December 15, 2004, to the Employment Agreement dated as of March 19, 2003 by and among Sprint Corporation, Sprint/United Management Company and Gary D. Forsee.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

SPRINT CORPORATION

Date: December 17, 2004

By: /S/ MICHAEL T. HYDE
Michael T. Hyde

Assistant Secretary

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EXHIBIT INDEX

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Exhibit 2

EXECUTION COPY

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this Agreement) is entered into as of December 15, 2004, by and among Sprint Corporation, a Kansas corporation (Sprint), Nextel Communications, Inc., a Delaware corporation (Nextel), and S-N Merger Corp., a Delaware corporation wholly owned by Sprint (Merger Sub).

RECITALS

- A. The Boards of Directors of Sprint, Merger Sub and Nextel have determined that it is in the best interests of their respective companies and their stockholders to enter into a business combination pursuant to the terms and subject to the conditions set forth herein, and have approved this Agreement and the Merger (as defined below);
- B. This Agreement contemplates (1) the merger of Nextel with and into Merger Sub (the Merger), and (2) the conversion of the capital stock of Nextel into the right to receive capital stock of Sprint;
- C. Sprint and Nextel intend, promptly after the Effective Time (as defined in Section 1.2), to separate the incumbent local exchange carrier business (the ILEC Business) of the Resulting Company (as defined in Section 1.1) from the other businesses of the Resulting Company pursuant to a spin-off of the entity or entities engaged in the ILEC Business to stockholders of Sprint, post-Merger, pursuant to Section 5.1(b) and in a manner that qualifies for the Intended Tax Treatment (as defined in Section 6.1(c)) (such transaction, the ILEC Separation);
- D. For federal income tax purposes, it is intended that the Merger qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Code);
- E. It is intended that Sprint will be treated as the acquiring entity for accounting purposes; and

F. The parties desire to make certain representations, warranties and agreements in connection with the Merger and the ILEC Separation and also to prescribe certain conditions to the Merger.

ARTICLE I THE MERGER

1.1 The Merger. (a) Subject to the terms and conditions of this Agreement, in accordance with the General Corporation Law of Delaware (the DGCL), at the

Effective Time, Nextel will merge with and into Merger Sub. Following the Effective Time, the separate corporate existence of Nextel will cease, and Merger Sub will continue as the surviving company (the Surviving Company and, together with Sprint and their respective Subsidiaries (as defined in Section 3.2(c)), the Resulting Company) in the Merger and will succeed to and assume all the rights, privileges, immunities, properties, powers and franchises of Nextel in accordance with the DGCL.

(b) In connection with the Merger, Sprint will reserve, prior to the Merger and after approval by the stockholders of Sprint of the Charter Amendment (as defined in Section 3.3), a sufficient number of shares of Sprint Series 1 FON common stock, which will be redesignated Sprint Series 1 common stock pursuant to the Charter Amendment (the Sprint Series 1 Common Stock), Sprint non-voting common stock (the Sprint Non-Voting Common Stock) and Sprint zero coupon convertible preferred stock (the Sprint Mirror Preferred Stock) to permit the issuance of shares of (i) Sprint Series 1 Common Stock to the holders of Class A common stock of Nextel (the Nextel Class A Common Stock), (ii) Sprint Non-Voting Common Stock to the holder(s) of Class B non-voting common stock of Nextel (the Nextel Class B Common Stock and, collectively with the Nextel Class A Common Stock, the Nextel Common Stock), and (iii) Sprint Mirror Preferred Stock to the holders of Zero Coupon Convertible Preferred Stock due 2013 of Nextel (the Nextel Preferred Stock and, collectively with the Nextel Common Stock, the Nextel Capital Stock), in each case issued and outstanding immediately prior to the Effective Time in accordance with the terms of this Agreement.

1.2 Effective Time. Subject to the provisions of this Agreement, as soon as practicable on the Closing Date (as defined in Section 9.1), (a) the parties will file with the Delaware Secretary of State a Certificate of Merger (the Certificate of Merger) with respect to the Merger, duly executed and completed in accordance with the relevant provisions of the DGCL, and will make all other filings or recordings required under the DGCL to effect the Merger. The Merger will become effective at such time as the Certificate of Merger has been duly filed with the Delaware Secretary of State, or at such subsequent date or time as Sprint and Nextel may agree and specify in the Certificate of Merger (the time that is the effective time of the Merger being hereinafter referred to as the Effective Time).

1.3 Effects of the Merger. At and after the Effective Time, the Merger will have the effects set forth in DGCL Section 259.

1.4 Conversion of Nextel Capital Stock. At the Effective Time, by virtue of the Merger and without any action on the part of Nextel or the holder of any of the following securities:

(a) Subject to Sections 1.4(e), 2.3 and 2.4, each share of Nextel Class A Common Stock issued and outstanding immediately prior to the Effective Time will be converted into the right to receive (i) 1.28 shares (the Exchange Ratio) of Sprint Series 1 Common Stock (together with the associated preferred share purchase rights (Sprint Stockholder Rights) attached thereto issued pursuant to the Second Amended and Restated Rights Agreement, dated as of March 16, 2004, as further amended (the

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Sprint Rights Agreement), between Sprint and UMB Bank, N.A., as rights agent) and (ii) an amount in cash equal to 0.02 (the Cash Ratio) multiplied by the average of the per share closing sales price of shares of Sprint Series 1 Common Stock on The New York Stock Exchange (NYSE) Composite Transactions Reporting System (as reported in The Wall Street Journal (Northeast Edition)) during the 20 trading day period on the NYSE ending on (and including) the Closing Date (the Per Share Cash Amount); provided that both the Exchange Ratio and the Per Share Cash Amount with respect to shares of Nextel Capital Stock described in Section 1.4(a) and 1.4(b) will be proportionally adjusted as of the Effective Time in accordance with Section 1.4(f) so that, subject to the Cash Limit (defined below), the sum of the Exchange Ratio and the Cash Ratio will be 1.3.

(b) Subject to Sections 1.4(e), 2.3 and 2.4, each share of Nextel Class B Common Stock issued and outstanding immediately prior to the Effective Time will be converted into the right to receive (i) a number of shares of Sprint Non-Voting Common Stock calculated using the Exchange Ratio (together with the associated Sprint Stockholder Rights attached thereto issued pursuant to the Sprint Rights Agreement) and (ii) an amount equal to the Per Share Cash Amount.

(c) Subject to Section 1.4(e) and 2.4, each share of Nextel Preferred Stock issued and outstanding immediately prior to the Effective Time will be converted into one share of Sprint Mirror Preferred Stock having substantially the same terms as the share of Nextel Preferred Stock so converted. The shares of Sprint Series 1 Common Stock, Sprint Non-Voting Common Stock, Sprint Mirror Preferred Stock and the aggregate Per Share Cash Amounts to be issued or paid to holders of Nextel Capital Stock pursuant to this Agreement, together with any cash in lieu of fractional shares pursuant to Section 2.3, are referred to herein as the Merger Consideration.

(d) All of the shares of Nextel Capital Stock converted into the right to receive the Merger Consideration pursuant to this Section 1.4 will no longer be outstanding, will automatically be canceled and retired and will cease to exist as of the Effective Time, and (i) each certificate previously representing any such shares of Nextel Common Stock (each, a Certificate) will thereafter represent only the right to receive (A) the number of shares of Sprint Series 1 Common Stock or Sprint Non-Voting Common Stock and the aggregate Per Share Cash Amounts into which such Nextel Common Stock has been converted pursuant to Section 1.4(a) or (b), as applicable, and (B) cash in lieu of fractional shares pursuant to Section 2.3 and (ii) each certificate previously representing any such shares of Nextel Preferred Stock will not be exchanged and will thereafter represent the number of shares of Sprint Mirror Preferred Stock into which such Nextel Preferred Stock has been converted pursuant to Section 1.4(c). Certificates previously representing shares of Nextel Common Stock will be exchanged for certificates representing whole shares of Sprint Series 1 Common Stock or Sprint Non-Voting Common Stock and the aggregate Per Share Cash Amounts and any other cash in lieu of fractional shares issued in consideration therefor, in accordance with this Article I, upon the surrender of such Certificates in accordance with Section 2.2, without any interest thereon. If, prior to the Effective Time, the number of outstanding shares of any class or series of Nextel Common Stock or Sprint Series 1

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Common Stock has been increased, decreased, changed into or exchanged for a different number or kind of shares or securities as a result of a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in capitalization, an appropriate and proportionate adjustment will be made to the Merger Consideration.

(e) Notwithstanding anything in this Agreement to the contrary, at the Effective Time, all shares of Nextel Capital Stock that are owned by Sprint or Nextel or any of their respective Subsidiaries will be canceled and retired and will cease to exist, and no stock of Sprint and no other consideration will be delivered in exchange therefor.

(f) Both the Exchange Ratio and the Per Share Cash Amount with respect to shares of Nextel Capital Stock described in Section 1.4(a) and Section 1.4(b) will be adjusted as of the Effective Time so that, upon completion of the Merger, the former holders of Nextel capital stock own, in the aggregate and at the Effective Time, capital stock of Sprint representing the maximum amount that does not exceed either 49.9% of the total combined voting power of all classes of Sprint capital stock entitled to vote or 49.9% of the total value of shares of all classes of Sprint capital stock (the Exchange Ratio Adjustment), in each case as determined under Section 355(e) of the Code, including by reference to any applicable regulation, ruling, pronouncement or other administrative guidance from the Internal Revenue Service or the U.S. Treasury, and in each case taking into account (i) the number and voting rights of the shares of Sprint and Nextel capital stock actually outstanding, for U.S. federal income tax purposes, at the Effective Time (excluding shares of Sprint capital stock held by or on behalf of Sprint or any of the Sprint Subsidiaries, including pursuant to a rabbi trust arrangement), (ii) any restrictions on the transfer of those shares, pursuant to the terms of those shares or by contract, in effect at the Effective Time, (iii) any change in Law or official or unofficial administrative guidance from the Internal Revenue Service or the U.S. Treasury, and (iv) any change in a material fact (including either party's knowledge of preexisting facts), or a new relevant fact, occurring prior to the Effective Time, provided, that the Exchange Ratio Adjustment will be subject to further adjustment to the extent (and only to the extent) necessary to obtain the confirmation of Sprint and Nextel (after consultation with outside counsel) that based on all the facts and circumstances existing at the Effective Time, the Exchange Ratio Adjustment has been calculated so that there has not been an acquisition of a 50% or greater interest in Sprint within the meaning of Section 355(e) of the Code and that Section 355(e)(1) of the Code will therefore not apply to the ILEC Separation. Sprint and Nextel agree that they will cooperate to cause a preliminary calculation of the Exchange Ratio Adjustment to be prepared at a date that is anticipated to be 30 days prior to the Effective Time, as reasonably agreed by the parties, and will, thereafter, cooperate to cause such calculation to be updated frequently to reflect the expected calculation of the Exchange Ratio Adjustment at the Effective Time.

(g) Notwithstanding anything in this Agreement to the contrary, the aggregate Per Share Cash Amounts payable by Sprint pursuant to this Article I will not exceed \$2,800,000,000 (the Cash Limit). Subject to the final sentence of this Section 1.4(g), if, absent this Section 1.4(g), the aggregate Per Share Cash Amounts

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payable by Sprint pursuant to this Article I would exceed the Cash Limit, the Per Share Cash Amount will be decreased to the extent necessary so that the aggregate Per Share Cash Amounts payable under this Article I do not exceed the Cash Limit. In such event, the Exchange Ratio will nevertheless be adjusted as provided in this Section 1.4, without regard to this Section 1.4(g). Notwithstanding the foregoing, if as a result of Section 1.4(f)(iii) the Per Share Cash Amount that would otherwise be determined pursuant to Section 1.4(f) would be decreased pursuant to this Section 1.4(g), then the Exchange Ratio will equal 1.3 and the Per Share Cash Amount will equal zero, and the parties will not be obligated to pursue the ILEC Separation.

(h) As used in this Agreement, the term Person means an individual, corporation, partnership, limited partnership, limited liability company, syndicate, person (including a person as defined in Section 13(d)(3) of the Exchange Act), trust, association or entity or government, political subdivision, agency or instrumentality of a government.

1.5 Nextel Options; Other Nextel Stock-Based Awards. (a) As soon as practicable following the date of this Agreement, Nextel will take such actions so that the Nextel Board (as defined in Section 4.3) or, if appropriate, any committee thereof administering the equity-based compensation plans identified on Section

4.11(a) of the Nextel Disclosure Schedule (the Nextel Stock Plans) adopts such resolutions and takes such other actions (including obtaining any required consents) as may be required to provide that each option to purchase shares of Nextel Common Stock (a Nextel Stock Option) that is outstanding immediately prior to the Effective Time, whether vested or unvested, will be converted into an option to purchase a number of shares of Sprint Series 1 Common Stock equal to the number of shares of Nextel Common Stock subject to such Nextel Stock Option multiplied by the Option Exchange Ratio (as defined below) (rounded to the nearest whole share), at an exercise price per share of Sprint Series 1 Common Stock equal to the exercise price per share of Nextel Common Stock under such Nextel Stock Option divided by the Option Exchange Ratio (rounded to the nearest whole cent), and otherwise having the same terms and conditions as were applicable under such Nextel Stock Option immediately prior to the Effective Time (each, a Nextel Rollover Option). For purposes of this Agreement, the term Option Exchange Ratio means 1.3.

(b) (i) Upon written notice from Sprint at least 30 days prior to the Effective Time, Nextel will take such actions so that the committee of the Nextel Board administering the Nextel Associate Stock Purchase Plan (the Nextel SPP) adopts such resolutions and takes such other actions as may be required to (i) cause the purchase period in effect under the Nextel SPP on the day prior to the Effective Time to end on such day (the Nextel SPP Exercise Day), and to cause all then outstanding rights thereunder to acquire Nextel Class A Common Stock to be exercised for the purchase of shares of Nextel Class A Common Stock on the Nextel SPP Exercise Day pursuant to the terms of the Nextel SPP, (ii) ensure that the shares of Nextel Class A Common Stock so purchased are treated in accordance with Section 1.4 in the same manner as other outstanding shares of Nextel Class A Common Stock issued and outstanding immediately prior to the Effective Time, and (iii) terminate the Nextel SPP at

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the Effective Time. Any funds contributed to the Nextel SPP that have not been used to purchase shares of Nextel Class A Common Stock as described in the preceding sentence will be returned, in cash, to participants in the Nextel SPP as soon as administratively feasible after such termination, in accordance with Section 5(c) thereof. In connection with the foregoing, Sprint will take such actions so that the Sprint Board (as defined in Section 3.3) or, if appropriate, the committee thereof administering the Sprint Employee Stock Purchase Plan (the Sprint SPP) adopts such resolutions and takes such other actions as may be required to cause Nextel employees to be eligible to participate in and contribute to the Sprint SPP immediately following the Effective Time, with the same rights and privileges thereunder as Sprint employees; and Nextel will take all actions reasonably requested by Sprint to distribute participation elections and related materials for the Sprint SPP to eligible Nextel employees, to collect completed elections and other materials from such employees, and timely deliver such completed elections and other materials to Sprint, in each case, as soon as reasonably practicable prior to the Effective Time.

(ii) Notwithstanding the foregoing, in the event that Sprint does not give the notice described in Section 1.5(b)(i) and until the Sprint employees who were Nextel employees immediately prior to the Effective Time are eligible to participate in the Sprint SPP on the same basis as other similarly situated Sprint employees, Nextel will continue the Nextel SPP in effect on and after the Effective Time upon the same terms and conditions as were applicable immediately prior to the Effective Time, except that (A)

any options granted prior to the Effective Time will be converted at the Effective Time into options to purchase shares of Sprint Series 1 Common Stock, which conversion will be effected by Sprint in a manner that satisfies the requirements of Section 424 of the Code, and (B) any options granted on or after the Effective Time will be options to purchase shares of Sprint Series 1 Common Stock. In such event, Nextel will timely distribute such materials regarding Sprint Series 1 Common Stock to participants in the Nextel SPP as reasonably requested by Sprint. In connection with the foregoing, Sprint will take such actions so that the Sprint Board or, if appropriate, the committee thereof administering the Sprint SPP adopts such resolutions and takes such other actions as may be required to cause the Nextel SPP to be so continued in effect.

(c) Nextel will take all actions necessary to ensure that all restrictions and limitations on vesting, transfer and exercise and all risks of forfeiture and rights of repurchase with respect to Nextel Stock Options and shares of Nextel Common Stock and other compensatory awards denominated in shares of Nextel Class A Common Stock subject to a risk of forfeiture to, or right of repurchase by, Nextel (a Nextel Stock-Based Award), to the extent not already lapsed as of the date hereof, will remain in full force and effect with respect to such Nextel Stock Options and Nextel Stock-Based Awards after giving effect to the Merger and their conversion into Nextel Rollover Options, shares of Sprint Series 1 Common Stock and awards denominated in Sprint Series 1 Common Stock, except to the extent required by the terms of such Nextel Stock Options and Nextel Stock-Based Awards (or pursuant to any Nextel Benefit Plan (as defined in Section 4.11(a)) as in effect on the date hereof; provided, however, that the payment of cash in lieu of fractional shares of Sprint Series 1 Common Stock pursuant to Section 2.3(b) will not constitute a violation of this Section 1.5(c).

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(d) Each Nextel Stock-Based Award outstanding at the Effective Time that entitles the holder thereof to the deferred delivery of shares of, or grant of stock options on, Nextel Class A Common Stock (a Nextel Deferred Share Award), and with respect to which any applicable vesting or deferral period has not lapsed or terminated, or grant of stock options has not been made, at or before the Effective Time, will be converted at the Effective Time into an award (a Sprint Deferred Share Award) that entitles the holder thereof to the deferred delivery or grant of a number of shares of Sprint Series 1 Common Stock, or stock options thereon, equal to the product of (i) the number of shares of Nextel Class A Common Stock to which such Nextel Deferred Share Award was subject immediately prior to the Effective Time multiplied by (ii) the Option Exchange Ratio. Each Sprint Deferred Share Award will otherwise have the same terms and conditions as were applicable under such Nextel Deferred Share Award immediately prior to the Effective Time. Nextel will take such actions so that the committee of the Nextel Board administering the Nextel Amended and Restated Incentive Equity Plan adopts such resolutions and takes such other actions as may be necessary to ensure that (i) any Nextel Deferred Share Awards required to be awarded or vested pursuant to any employment agreement set forth on Section 4.11 of the Nextel Disclosure Schedule be so awarded and vested in accordance with the terms of such agreement and (ii) any shares of Nextel Class A Common Stock that have been or are required to be delivered at or before the Effective Time in respect of any Nextel Deferred Share Award pursuant to its terms (including on account of acceleration of vesting or payment as a result of the Merger) are so delivered and are treated in accordance with Section 1.4 in the same manner as other outstanding shares of Nextel Class A Common Stock issued and outstanding immediately prior to the Effective Time.

(e) Sprint will use reasonable best efforts to prepare and file with the Securities and Exchange Commission (the SEC), and cause to be effective prior to or at the Effective Time, a registration statement on Form S-8 (or another appropriate form) registering under the Nextel Stock Plans all shares of Sprint Series 1 Common Stock subject to the Nextel Rollover Options, the Sprint Deferred Share Awards and other Nextel Stock-Based Awards which survive the Effective Time and become denominated in the form of Sprint Series 1 Common Stock. Such registration statement will be kept effective (and the current status of the prospectus or prospectuses required thereby will be maintained) as long as any Nextel Rollover Options, Sprint Deferred Share Awards or such other Nextel Stock-Based Awards remain outstanding.

1.6 Conversion of Common Stock of Merger Sub. Each issued and outstanding share of common stock of Merger Sub will be converted into one fully paid and nonassessable share of common stock of the Surviving Company.

1.7 Certificate of Incorporation and Bylaws of the Surviving Company. At the Effective Time, the Certificate of Incorporation and Bylaws of Merger Sub, each attached hereto as Exhibit A, will be the Certificate of Incorporation and Bylaws, respectively, of the Surviving Company until thereafter amended in accordance with applicable Law (as defined in Section 3.13(a)).

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1.8 Directors and Officers of the Surviving Company. The directors of Merger Sub immediately prior to the Effective Time will be the directors of the Surviving Company until the next annual meeting (or the earlier of their resignation or removal) and until

their respective successors are duly elected and qualified, as the case may be. The officers of Merger Sub immediately prior to the Effective Time will be the officers of the Surviving Company until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

1.9 Tax Consequences. It is intended that (i) the Merger qualify as a reorganization within the meaning of Section 368(a) of the Code, (ii) this Agreement will constitute a plan of reorganization for purposes of Sections 354 and 361 of the Code, and (iii) Sprint, Nextel and Merger Sub will each be a party to the reorganization within the meaning of Section 368(b) of the Code.

1.10 Articles of Incorporation of Sprint. At the Effective Time, the Amended and Restated Articles of Incorporation of Sprint will be as set forth on Exhibit B until thereafter amended in accordance with applicable Law.

1.11 Bylaws of Sprint. At the Effective Time, the Bylaws of Sprint will be as set forth on Exhibit C until thereafter amended in accordance with applicable Law.

1.12 Directors and Certain Executive Officers of Sprint; Certain Other Matters. Immediately following the Effective Time, the members of the Board of Directors of Sprint and each Committee of the Board of Directors of Sprint will be determined as set forth on Exhibit D and will serve until the earlier of their resignation or removal and until their respective successors are duly elected and qualified, as the case may be. Immediately following the Effective Time, the individuals set forth on Exhibit D will have the positions at Sprint as set forth therein, until the earlier of their resignation or removal and until their respective successors are duly elected and qualified, as the case may be. In addition, certain other matters with respect to the Resulting Company at the Effective Time are set forth on Exhibit D.

ARTICLE II EXCHANGE OF SHARES

2.1 Sprint to Make Shares Available. (a) At or prior to the Effective Time, Sprint will deposit, or will cause to be deposited, with a bank or trust company selected by Nextel and Sprint (the Exchange Agent), for the benefit of the holders of Certificates and the exchange in accordance with this Article II, certificates representing the shares of Sprint Series 1 Common Stock and Sprint Non-Voting Common Stock and cash sufficient to make cash payments in respect of the aggregate Per Share Cash Amounts and cash in lieu of any fractional shares (such cash and certificates for shares of Sprint Series 1 Common Stock and Sprint Non-Voting Common Stock, together with any dividends or distributions with respect thereto, being referred to as the Exchange Fund) to be issued pursuant to Section 1.4 and paid pursuant to Section 2.3 in exchange for outstanding shares of Nextel Common Stock.

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(b) The Exchange Agent will invest all cash included in the Exchange Fund as directed by Sprint on a daily basis, provided that no such investment or losses will affect the Per Share Cash Amounts payable to holders of shares of Nextel Common Stock or cash in lieu of fractional interests. Any interest and other income resulting from such investments will be paid to Sprint.

2.2 Exchange of Shares. (a) As soon as practicable after the Effective Time, the Exchange Agent will mail to each holder of record of one or more Certificates a letter of transmittal in customary form as reasonably agreed to by the parties (which will specify, among other things, that delivery will be effected, and risk of loss and title to the Certificates will pass, only upon delivery of the Certificates to the Exchange Agent) and instructions for use in effecting the surrender of the Certificates in exchange for certificates representing the shares of Sprint Series 1 Common Stock or Sprint Non-Voting Common Stock, as applicable, Per Share Cash Amounts and any cash in lieu of fractional shares into which the shares of Nextel Common Stock represented by such Certificate or Certificates have been converted pursuant to this Agreement. Upon proper surrender of a Certificate or Certificates for exchange and cancellation to the Exchange Agent, together with such properly completed letter of transmittal, duly executed, and such other documents as may reasonably be required by the Exchange Agent, the holder of such Certificate or Certificates will be entitled to receive in exchange therefor, as applicable,

(i) certificate(s) representing the number of whole shares of Sprint Series 1 Common Stock or Sprint Non-Voting Common Stock, as applicable, to which such holder of Nextel Common Stock has become entitled pursuant to the provisions of Article I and (ii) a check representing the amount of the aggregate Per Share Cash Amounts such holder has the right to receive in respect of such holders Certificates, any cash in lieu of fractional shares of Sprint Series 1 Common Stock or Sprint Non-Voting Common Stock that such holder has the right to receive in respect of the Certificate or Certificates surrendered pursuant to the provisions of this Article II and any dividends or distributions then payable pursuant to Section 2.2(b)(i), and the Certificate or Certificates so surrendered will forthwith be canceled. No interest will be paid or accrued on any Per Share Cash Amount, any cash in lieu of fractional shares or any unpaid dividends and distributions payable to holders of Certificates.

(b) No dividends or other distributions declared with respect to Sprint Series 1 Common Stock or Sprint Non-Voting Common Stock will be paid to the holder of any unsurrendered Certificate until the holder thereof surrenders such Certificate in accordance with this Article II. After the surrender of a Certificate in accordance with this Article II, the record holder thereof will be entitled to receive (i) the amount of dividends or other distributions with a record date after the Effective Time theretofore paid, without any interest thereon, with respect to the whole shares of Sprint Series 1 Common Stock or Sprint Non-Voting Common Stock represented by such Certificate and (ii) at the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time but prior to surrender and a payment date subsequent to surrender, with respect to shares of Sprint Series 1 Common Stock or Sprint Non-Voting Common Stock represented by such Certificate.

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(c) If any certificate representing shares of Sprint Series 1 Common Stock or Sprint Non-Voting Common Stock is to be issued in a name other than that in which the Certificate or Certificates surrendered in exchange therefor is or are registered, it will be a condition to the issuance thereof that the Certificate or Certificates so surrendered will be properly endorsed (or accompanied by an appropriate instrument of transfer) and otherwise in proper form for transfer, and that the Person requesting such exchange will pay to the Exchange Agent in advance any transfer or other Taxes (as defined in Section 3.10(e)) required by reason of the issuance of a certificate representing shares of Sprint Series 1 Common Stock or Sprint Non-Voting Common Stock in any name other than that of the registered holder of the Certificate or Certificates surrendered, or required for any other reason, or will establish to the satisfaction of the Exchange Agent that such Tax has been paid or is not payable.

(d) After the Effective Time, there will be no transfers on the stock transfer books of Nextel of the shares of Nextel Capital Stock that were issued and outstanding immediately prior to the Effective Time other than to settle transfers of Nextel Capital Stock that occurred prior to the Effective Time. If, after the Effective Time, Certificates representing shares of Nextel Common Stock are presented for transfer to the Exchange Agent, they will be canceled and exchanged for Merger Consideration as provided in this Article II.

(e) Any portion of the Exchange Fund that remains unclaimed by the former stockholders of Nextel as of the first anniversary of the Effective Time will be delivered to Sprint. Any former stockholders of Nextel who have not theretofore complied with this Article II will thereafter look only to Sprint for payment of the Merger Consideration and any unpaid dividends and distributions on the Sprint Series 1 Common Stock or Sprint Non-Voting Common Stock deliverable in respect of each share of Nextel Common Stock that such stockholder holds as determined pursuant to this Agreement, in each case, without any interest thereon. Notwithstanding the foregoing, none of Nextel, Sprint, the Surviving Company, the Exchange Agent or any other Person will be liable to any former holder of shares of Nextel Common Stock for any amount delivered in good faith to a public official pursuant to applicable abandoned property, escheat or similar Laws.

(f) In the event any Certificate has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by Sprint, the posting by such Person of a bond in such amount as Sprint may determine is necessary as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent will issue in exchange for such lost, stolen or destroyed Certificate the Merger Consideration and any unpaid dividends and distributions deliverable in respect thereof pursuant to this Agreement.

2.3 Fractional Shares. (a) No certificates representing fractional shares of Sprint capital stock will be issued upon the surrender for exchange of Certificates, and such fractional share interests will not entitle the owner thereof to vote or to any other rights of a stockholder of Sprint.

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(b) Notwithstanding any other provision of this Agreement, each holder of shares of Nextel Common Stock converted pursuant to the Merger who would otherwise have been entitled to receive a fraction of a share of Sprint Series 1 Common Stock or Sprint Non-Voting Common Stock (after taking into account all Certificates delivered by such holder) will receive, in lieu thereof, cash (without interest) in an amount equal to the product of (i) such fractional share of Sprint Series 1 Common Stock or Sprint Non-Voting Common Stock multiplied by (ii) the per share closing price on the Closing Date of Sprint Series 1 Common Stock on the NYSE Composite Transactions Reporting System, as reported in The Wall Street Journal (Northeast Edition).

2.4 Appraisal Rights/Dissenting Shares. (a) Notwithstanding any provision of this Agreement to the contrary and to the extent available under the DGCL, any shares of Nextel Capital Stock outstanding immediately prior to the Effective Time that are held